



STATE OF DELAWARE
DEPARTMENT OF FINANCE
DIVISION OF ACCOUNTING

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MEMORANDUM
#08-10

TO: All Department and School Fiscal Officers

FROM: Trisha L. Neely, Director

DATE: March 4, 2008

SUBJECT: INTERNAL CONTROLS

The Budget and Accounting Policy Manual, Chapter II, outlines specific criteria for management's responsibility regarding internal controls. Internal control is broadly defined, according to national standards, as a process effected by management and is designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations.
- Reliability of financial reporting.
- Compliance with applicable laws and regulations.

Establishing and effectively communicating written policies and procedures enhances an organization's control environment. It is management's responsibility to maintain written policies and procedures to ensure an effective system of internal controls exists within each organization. Management's monitoring of and attitude toward adherence to control procedures is critical to making controls work. Effective policies and procedures help ensure management directives are carried out and that necessary actions are taken to address risks to achievement of the organization's objectives. Policies and procedures should address a range of control activities such as approvals, authorizations, verifications, reconciliations, reviews of operating performance, security of assets and segregation of duties.

Despite repeated audit recommendations and memoranda from this office, many organizations still do not have written policies and procedures in place or if they do, in many cases, the documentation is outdated. In the 2006 Statewide Journal Entry Audit as well as each Comprehensive Annual Financial Report (CAFR) audit, audit findings

referencing the lack of internal controls and segregation of duties have been cited along with recommendations for resolution.

The State's financial credibility is at risk without an effective system of internal control in place. Therefore, the Division of Accounting will be monitoring statewide internal controls by reviewing organizational policies and procedures, following up on the implementation of audit recommendations, and developing processes to ensure internal controls are adhered to and proper segregation of duties is in place.

Please forward a copy (electronic copies are preferred) of your existing policies and procedures regarding the processing of all financial transactions to Jennifer.Spence@state.de.us. If you do not have existing written policies and procedures, please take this opportunity to develop them. The deadline for submission is **the close of business on May 16, 2008**.

If you have any questions, please contact Jennifer Spence at 672-5506.